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National Intelligence Daily (Cable)

1 May 1979

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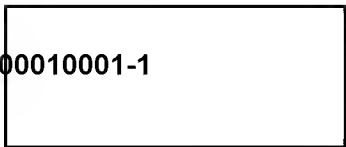
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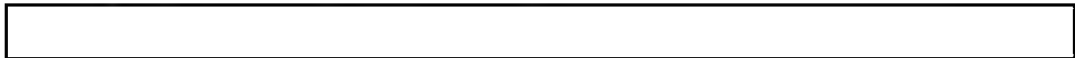


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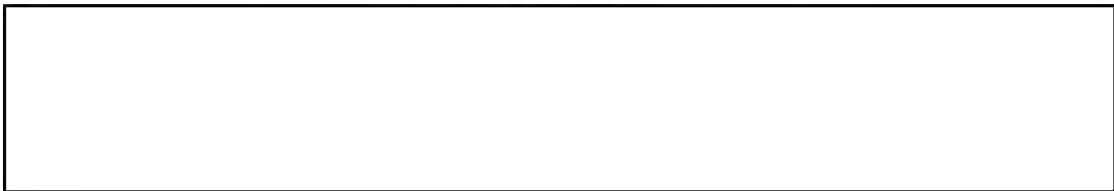


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CHAD: New Government

A new Chadian coalition government formed on Sunday appears no better equipped than its various predecessors to solve the country's serious ethnic divisions and protracted Muslim insurgency. The new government replaces the month-old provisional state council but, like the council, it is controlled by northern Muslims. Southern Christians, whose traditional domination of the country has gradually eroded, will continue to play a secondary role. The coalition also excludes several Muslim factions, including two supported by neighboring Libya that are active militarily in eastern Chad.

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The new government's cohesiveness will depend on continuation of an uneasy alliance between Muslim leaders Habre and Goukouni who hold the Defense and Interior portfolios respectively. The new President--a political unknown--represents another Muslim group but lacks enough military support to challenge Habre and Goukouni.

The government is unlikely to garner much enthusiasm among southerners without giving them equal status. Southerners have been given the vice presidency and several other relatively unimportant positions. With most of Chad's economic and skilled manpower resources located in the south, support from that area is crucial.

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Habre and Goukouni also must mend their fences with Libya, the principal military backer of some of the Muslim factions, and with Nigeria, whose transport routes carry much of Chad's international trade and whose troops are in Ndjamena as a peacekeeping force. Relations were strained recently when both Nigeria--which has sponsored two recent, largely unsuccessful meetings to end Chad's political dispute--and Libya pushed hard for a settlement that would have sharply reduced the authority of Habre and Goukouni.

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PAKISTAN: Moving Toward an Islamic Economy

Pakistan will move a step closer toward its goal of an "Islamic economy" when Koran-specified taxes on wealth and agriculture are instituted this July. Interest-free banking, however, remains a conceptual nightmare, far from implementation. Reforming the economy according to Islamic law will do little to correct Pakistan's underlying economic problems but is in tune with President Zia's political objectives. In the interim before the national election promised for November, Zia will be tempted to tap the appeal of an Islamic state and an economy operating under the dictates of Islamic law to counter the current political turmoil and anxiety arising from the execution of former Prime Minister Bhutto and to obtain continued political and financial support from the Arab world.

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Zia will have trouble achieving an interest-free economy by 1982. Islamic scholars are divided on the interpretation of the Prophet Muhammad's proscription against interest payments. Even if agreement can be reached on a standard interpretation of Islamic law, officials would face the problem of restructuring the banking system without seriously disrupting production and trade. Pakistan would also face difficulties in integrating an interest-free system with the conventional international financial community on which the country depends for much of its development financing.

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Islamabad expects that the new taxes will generate about \$300 million in its 1980 fiscal year compared to the current \$25 million collected annually. Pakistani Muslims will be expected voluntarily to meet their religious requirements, but Zia has also set up a committee with powers to enforce collection. The new taxes, along with a \$225 million gift from Saudi Arabia and the United Arab Emirates, will finance a public welfare program that will raise the annual incomes of Pakistan's poorest citizens by less than \$20.

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The new tax measures have drawn a mixed response. The majority of Pakistanis are pleased because, in principle, they stand to benefit from the taxes. Middle-class Pakistanis, however, are already trying to avoid enforced collection by withdrawing money from banks and reportedly sending the funds abroad.

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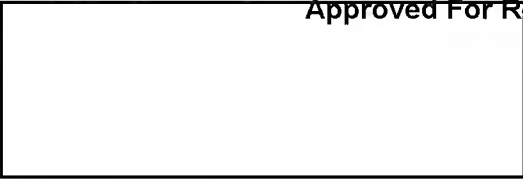
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